

May 9th, 2010

LETTER OF INTENT

Mr. Kevin Shannon, Mr. Bob Gilley and Mr. Randy Getz
CB Richard Ellis
990 W.190th Street
Torrance, CA 90502

Re: Golden State Portfolio – 20-year firm sale/leaseback
350 McAllister Avenue & 455 Golden Gate Avenue, San Francisco
505 Van Ness Avenue, San Francisco
50 D Street, Santa Rosa
1515 Clay Street, Oakland
320 West 4th Street, Los Angeles
300 South Spring Street, Los Angeles
1300 I Street, Sacramento
1430 N Street; 1500-1501 Capital Ave & 1615-1616 Capital Ave, Sacramento
9645 Butterfield Way, Sacramento
3650 Schriever Avenue, Rancho Cordova

Dear Mr. Shannon, Mr. Gilley, and Mr. Getz:

This letter will outline the terms and conditions under which the undersigned purchaser or its assignee (the “Purchaser”) would be prepared to negotiate a definitive Real Estate Sales Contract (the “Contract”) to purchase fee simple title to the eleven (11) properties in the Golden State Portfolio together with the improvements located thereon (the “Portfolio”).

Seller: State of California (the “Seller” or the “State”)

Purchaser: Divergent Financial Services, Inc. or its assignee (the “Purchaser”)

Purchase Price: The proposed purchase price for the Portfolio shall be One Billion Six Hundred Thirty-Five Million US Dollars (\$1,635,000,000) minus the earnest money deposit at closing, along with a second payment of One Billion Five Hundred Seventy Million US Dollars (\$1,570,000,000) to be paid by Purchaser to Seller on the 31st day of December, 2030. The second payment will be fully secured by the Portfolio, which will be free and clear of any debt and liens at the aforementioned date.

Source Of Equity: Approximately \$300,000,000 of the purchase price will come from a private equity source and the remainder will be financed. Proof of funds and a letter of commitment for the financing will be furnished if the State expresses an interest in this offer.

Operating Leases: Purchaser will accept all terms and conditions set forth in the Operating Leases provided in the document center. The purchase offer shall comply with all FASB/GASB rules governing Operating Lease standard.

Operating Expenses: All projected operating expenses provided in the document center have been reviewed, analyzed and reconciled by Purchaser and have been taken into account in the Best and Final pricing.

Property Condition: The Portfolio will be delivered in “As Is” condition. The Marx Okubo report has been reviewed and reconciled in the Best and Final pricing.

Plans and Specifications: All plans and specification for the Portfolio has been reviewed and reconciled in the Best and Final pricing.

Earnest Money Deposit: Purchaser shall deposit One Hundred Million US Dollars (\$100,000,000) of the purchase price with Greenberg Traurig, P.A., within Five (5) business days of the execution of the purchase contract.

Contingency Period: Purchaser, its employees, agents, and representatives shall have a period of Ten (10) days from and after the date of execution of the Contract described below (the “Contingency Period”) to conduct additional Due Diligence.

Closing: The closing of the acquisition of the Property shall take place Fifty (50) days after expiration of waiver of the Contingency Period (or as mutually agreed by Purchaser and Seller).

Closing Costs: All closing costs (including recording fees, documentary stamp taxes, transfer taxes, and any other closing costs) shall be paid by Purchaser.

Confidentiality: All information and data received regarding the Portfolio shall be kept confidential in accordance with the confidentiality agreement signed on April 29th, 2010.

Commission: Seller and Purchaser represent to each other that no brokers, agents, facilitators or intermediaries are entitled to any commission in connection with the sale of the Property other than CB Richard Ellis (the “Broker”), and Seller and Purchaser agree to indemnify, defend and hold the other party harmless from any claim, demand or liability arising of any breach of such representation.


Disclaimer: Prior to entering into the Purchase and Sale Agreement, neither the State's broker nor the State nor any of their representatives or agents are making or shall be deemed to have made any express or implied representation or warranty of any kind or nature regarding (a) the leasing, physical or financial status of the Property, (b) the Property's compliance with applicable laws, (c) accuracy or completeness of any information or data provided or to be provided by the broker of the State or State's agents, or (d) any other matter relating to the Property or the State.

Non-Binding: No obligation or liability will be created by reason of this letter or any statements made herein. Any costs incurred or actions taken by Purchaser in the absence of any executed Purchase and Sale Agreement will be at Purchaser's sole risk. Until all conditions have been satisfied and legally binding documents have been negotiated, executed and delivered, the State will not be obligated to proceed with this transaction.

Purchaser acknowledges that the Portfolio will not be taken off of the market, and State reserves the right to sell or dispose of the Property in any way it so determines prior to entering into a written Purchase and Sale Agreement with Purchaser, or any other party. Purchaser further acknowledges that because this letter does not constitute an agreement, neither Purchaser nor its assignee, shall be entitled to bring any actions against the State in law or in equity arising out of this letter. In that regard, Purchaser and its assignee, expressly waive any remedy of specific performance against the State, and any right to proceed with any legal action or to record or file a lis pendens or similar notice against the Portfolio in connection with any alleged default by the State.

[Remainder of page intentionally left blank. Signature page follows.]

Sincerely,
DIVERGENT FINANCIAL SERVICES, INC.



Stefan Cap

Purchaser – Divergent Financial Services, Inc.

Seller – State of California



By: _____

Name: Stefan Cap

Its: President

Date: May 9th, 2010

By: _____

Name: _____

Its: _____

Date: _____